



Elizabeth O'Donnell
Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
Frankfort, Kentucky 40602

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PUBLIC SERVICE
COMMISSION

E.ON U.S. LLC

State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.eon-us.com

Rick E. Lovekamp
Manager - Regulatory Affairs
T 502-627-3780
F 502-627-3213
rick.lovekamp@eon-us.com

February 7, 2007

Re: **E.ON AG, Powergen plc, LG&E Energy Corp., Louisville Gas and Electric Company and Kentucky Utilities Company**
Case No. 2001-00104

Dear Ms. O'Donnell:

On February 2, 2007 E.ON AG filed with the Spanish stock market regulator as part of the sealed envelope procedure an offer of €38.75 per share as the final price for the announced acquisition of Endesa S.A. ("Endesa"). This corresponds to a total consideration of €41 billion (100% of shares of Endesa). In anticipation of a potential acquisition of Endesa, on February 20, 2006 E.ON AG established a credit facility in the amount of €32 billion; and on October 16, 2006 increased the level of the credit facility to €37.1 billion in connection with its bid amounts for Endesa. On February 2, 2007 E.ON entered into another credit facility totaling €3.9 billion in connection with its final offer. To date, the facilities have been used to issue bank guarantees required for E.ON AG's bids for Endesa. One-third of the €37.1 billion facility has a 364-day maturity; and the other two-thirds of the facility have a 3-year maturity. The 364-day maturity was rolled over for another 364 days. Pursuant to *Appendix A: Commitment No. 19* of the Commission's Order in the above-captioned proceeding, I am writing to notify the Commission that if the Endesa acquisition is successful, the credit facility will be drawn down until such time as permanent financing for the transaction can be in place.

Unrelated to the Endesa transaction, I would also wish to advise of two refinancings of medium term notes issued by LG&E Capital Corp. (and now known as E.ON U.S. Capital Corp.) and originally sold to institutional investors such as insurance companies. Capital Corp. is a wholly-owned subsidiary of E.ON U.S. LLC (formerly known as LG&E Energy Corp.). Louisville Gas and Electric Company or Kentucky Utilities Company did not incur any additional indebtedness, issue any additional securities or pledge any assets to finance any of these refinancings, and were otherwise unaffected by these transactions.

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On April 30, 2004, Fidelia Corporation, an indirect wholly-owned subsidiary of E.ON AG, through E.ON U.S. LLC ("E.ON U.S." herein) refinanced a \$150 million medium-term note held by Capital Corp. The original note was issued in May 1999 by Capital Corp. to institutional investors such as insurance companies in the amount of \$150 million with an interest rate of 6.205% and a maturity date of May 1, 2004. The proceeds of the refinancing were used to repay the prior note at maturity. The interest rate for the refinancing is 4.64%. Under the terms of the refinancing, Fidelia Corporation loaned E.ON U.S. the funds to refinance the note held by Capital Corp. E.ON U.S. in turn loaned the funds to Capital Corp. Capital Corp. used the proceeds to refinance the original \$150 million loan issued in May 1999 by Capital Corp. to institutional investors.

On July 15, 2006, Fidelia Corporation also refinanced two medium-term notes issued by Capital Corp. for which Capital Corp. issued a tender offer (i.e., an early buyout). The first was for a note in the amount of \$150 million at 6.46% interest with a term through January 15, 2008. The second was for a note in the amount of \$150 million at 7.471% interest with a term through November 1, 2011. The tender offer resulted in redemption of \$126.1 million of the 6.46% note and \$147.7 million of the 7.471% note. The proceeds of the new \$300 million loan from Fidelia to E.ON U.S. were loaned through the money pool to Capital Corp, and used to pay the total tender offer consideration of \$273.8 million plus transaction fees. The remaining proceeds were used to repay the short-term debt of E.ON U.S. Both original notes were issued in 1998 by then Capital Corp. and sold to institutional investors such as insurance companies. The new rate for the E.ON U.S. loan is the one-month London Interbank Offered Rate plus .56%. The loan matures in July 2011.

Please confirm your receipt of this filing by placing the stamp of your Office with the date received on the additional copy and returning it to me in the enclosed envelope.

Should you have any questions regarding these transactions, please contact me at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick E. Lovekamp". The signature is fluid and cursive, with the first name "Rick" and last name "Lovekamp" clearly distinguishable.

Rick E. Lovekamp